

South Huron Valley Utility Authority

**Financial Report
with Supplemental Information
December 31, 2013**

South Huron Valley Utility Authority

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Independent Auditor's Report

To the Board of Directors
South Huron Valley Utility Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of South Huron Valley Utility Authority (the "Authority") as of and for the year ended December 31, 2013 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
South Huron Valley Utility Authority

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of South Huron Valley Utility Authority as of December 31, 2013 and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, debt issuance costs will be expensed, except for costs related to insurance, which will be reported as an asset and will be amortized. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Plante & Moran, PLLC

March 19, 2014

South Huron Valley Utility Authority

Management's Discussion and Analysis

Using this Annual Report

South Huron Valley Utility Authority (SHVUA or the "Authority") is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, and Woodhaven, and the Village of South Rockwood. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formerly operated by Wayne County. The Authority began operations on March 1, 1999. The Authority subcontracts all operations of the system and has no employees. This annual report consists of a series of financial statements, footnotes, and supplemental information. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the financial activities of the Authority. This is followed by the statement of cash flows, which presents detailed information about the changes in the Authority's cash position during the year. The next section includes the notes to the financial statements, which disclose the Authority's significant accounting policies and additional information related to certain amounts included on the statement of net position. The final component of the annual report is the supplemental information, which is provided for the purpose of additional analysis.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the mission of the Authority. All debt of the Authority is backed by the full faith and credit of its seven member communities. From a financial perspective, the Authority's core objective is to manage the long-term costs of sewage disposal. In essence, the Authority acts as a conduit for all of its members. The amounts to be charged to its members will, by definition, be equal to the Authority's costs of providing sewage transportation and treatment. The key financial statistics for the Authority, therefore, relate to measurements of the ability to reduce total costs to its members (as opposed to the ability to accumulate financial resources).

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table presents condensed information about the Authority's financial position as of December 31, 2013 and 2012:

	2013	2012
Assets		
Current assets	\$ 2,527,192	\$ 3,137,478
Noncurrent assets:		
Capital assets	98,568,518	100,358,471
Other noncurrent assets	-	8,692
Total assets	101,095,710	103,504,641
Liabilities		
Current liabilities	877,656	1,776,228
Long-term liabilities	21,454,886	23,313,408
Total liabilities	22,332,542	25,089,636
Net Position		
Net investment in capital assets	77,113,632	76,698,542
Unrestricted	1,649,536	1,716,463
Total net position	<u>\$ 78,763,168</u>	<u>\$ 78,415,005</u>

Current assets decreased by a total of \$610,286. The primary reason for this decrease was twofold. The Authority had a decrease in its cash position of \$488,475 primarily due to incurring capital purchase increases of a similar amount in comparison to 2012. In addition, the lookback accounts receivable was roughly \$91,613 less in 2013 in comparison to 2012.

Capital assets (net of related debt) decreased by \$1,789,953. Despite spending roughly \$965,118 on capital assets in 2013, the Authority incurred \$2,755,070 worth of depreciation expense, resulting in the net decrease in capital assets.

Current liabilities decreased by a total of \$898,572. The primary reason for this decrease was because in 2012, the current liabilities included \$704,000 due to United Water for the work related to the interceptor cleaning/manhole repair project. This was a one-time year-end invoice for 2012, which was not within the 2013 year-end current liability balance.

In the current year, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, debt issuance costs were expensed in the current year.

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

The following table presents condensed information about the Authority's revenue and expenses for the years ended December 31, 2013 and 2012:

	2013	2012
Operating Revenue		
Sewage billings	\$ 5,387,424	\$ 5,240,976
Other operating revenue	26,881	35,514
Total operating revenue	5,414,305	5,276,490
Operating Expenses		
Contractual	2,516,634	2,940,502
Other operating expenses	1,792,279	1,305,877
Total operating expenses	4,308,913	4,246,379
Operating Income	1,105,392	1,030,111
Nonoperating Expense	(757,229)	(421,132)
Change in Net Position	348,163	608,979
Net Position - Beginning of year	78,415,005	77,806,026
Net Position - End of year	<u>\$ 78,763,168</u>	<u>\$ 78,415,005</u>

Operating revenue increased by approximately 2.6 percent in 2013 due the modest increase in community contributions approved in the 2013 budget. Operating expenses remained relatively flat.

Budgetary Highlights

The 2013 actual results in comparison to the original budget were very favorable. The Authority's original 2013 budget called for an operating loss (net of capital purchases) of \$388,861. The Authority ended the 2013 calendar year with operating income (net of capital purchases) of \$216,837. This is a credit to the Authority board's diligent efforts to keep costs low and within planned limits. Total revenues were very close to the original budget projections. Manhole repairs and interceptor cleanings originally budgeted for \$200,000 were deferred until 2014, so these expenses were not incurred. In addition, capital expenditures were roughly \$200,000 less than originally budgeted.

South Huron Valley Utility Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

There were a number of capital projects completed in 2013. The driveway at the wastewater treatment plant was replaced costing roughly \$437,000. In addition, there were some smaller capital projects completed such as the purchase of a new bar screen, door replacement project, and also a valve replacement project. Two large projects are carrying over into 2014, which are the Trenton Arm Pump Replacement Project and also the Sludge Tank Thickener Project. Both projects are being funded by a combination of either cash contributions by certain communities or via an installment purchase agreement by those communities opting to borrow.

Economic Factors and Next Year's Budgets and Rates

Monthly operation and maintenance contributions by each community were only increased by 3 percent in 2013. The Authority was able to limit the increase to 3 percent for 2014 as well, due to keeping expense increases to a minimum. The Authority made major strides in building the cash reserve balances to desired levels.

Contacting the Authority's Management

This financial report is intended to provide the Authority's members with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's chairperson.

South Huron Valley Utility Authority

Statement of Net Position December 31, 2013

Assets

Current assets:	
Cash and cash equivalents (Note 2)	\$ 2,076,523
Receivables:	
Accounts receivable	90
Due from other governmental units - Current portion	8,692
Due from other governmental units - Lookback	308,281
Prepaid expenses	<u>133,606</u>
Total current assets	2,527,192
Capital assets:	
Assets not subject to depreciation (Note 3)	898,091
Assets subject to depreciation (Note 3)	<u>97,670,427</u>
Total noncurrent assets	<u>98,568,518</u>
Total assets	<u>101,095,710</u>

Liabilities

Current liabilities:	
Accounts payable	443,365
Due to other governmental units - Lookback	308,281
Accrued interest	<u>126,010</u>
Total current liabilities	877,656
Noncurrent liabilities - Long-term debt (Note 4)	<u>21,454,886</u>
Total liabilities	<u>22,332,542</u>

Equity - Net position

Net investment in capital assets	77,113,632
Unrestricted	<u>1,649,536</u>
Total net position	<u><u>\$ 78,763,168</u></u>

South Huron Valley Utility Authority

Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2013

Operating Revenue

Sewage billings	\$ 5,387,424
Permit and review fees	<u>26,881</u>
Total operating revenue	5,414,305

Operating Expenses

Contractual - Operation and maintenance	2,516,634
Insurance expense	96,678
Permit and review fees	13,000
Maintenance and repair	412,660
Professional fees	164,335
Miscellaneous expense	4,680
Financial consulting	20,000
Land application fee	21,925
Meter testing	173,689
Utilities	<u>885,312</u>
Total operating expenses	<u>4,308,913</u>

Operating Income

1,105,392

Nonoperating Revenue (Expenses)

Debt billings to communities	2,561,054
Interest expense	(566,483)
Depreciation and amortization	(2,755,070)
Interest income and other	<u>3,270</u>
Net nonoperating expense	<u>(757,229)</u>

Increase in Net Position

348,163

Net Position - Beginning of year

78,415,005

Net Position - End of year

\$ 78,763,168

South Huron Valley Utility Authority

Statement of Cash Flows Year Ended December 31, 2013

Cash Flows from Operating Activities

Cash received from communities	\$ 5,558,854
Cash payments to suppliers for goods and services	(5,230,310)
Net cash provided by operating activities	328,544

Cash Flows from Capital and Related Financing Activities

Proceeds from issuance of debt - Net of issuance costs	140,170
Payments for acquisition and construction of capital assets	(965,117)
Principal and interest paid on long-term debt	(2,556,483)
Collection of debt billings to communities	2,561,054
Net cash used in capital and related financing activities	(820,376)

Cash Flows from Investing Activities - Interest received on investments	3,270
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Net Decrease in Cash and Cash Equivalents	(488,562)
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Cash and Cash Equivalents - Beginning of year	2,565,085
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Cash and Cash Equivalents - End of year	<u>\$ 2,076,523</u>
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Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 1,105,393
Changes in assets and liabilities:	
Accounts receivable	785
Due from other governmental units	224,237
Prepaid and other assets	(14,133)
Accounts payable	(802,390)
Due to others	(180,777)
Accrued and other liabilities	(4,571)
Net cash provided by operating activities	<u>\$ 328,544</u>

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note I - Summary of Significant Accounting Policies

Nature of Entity

South Huron Valley Utility Authority (the "Authority") is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, and Woodhaven, and the Village of South Rockwood. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system formerly operated by Wayne County. The Authority began operations on March 1, 1999. The City of Romulus was originally a member of the Authority. In 2011, the City of Romulus changed its status from a member of the Authority to a user of the system. The Authority subcontracts all operations of the system and has no employees.

The Internal Revenue Service has ruled that the Authority is a political subdivision of the State of Michigan and, as a result, is exempt from federal income tax.

The accounting policies of South Huron Valley Utility Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by South Huron Valley Utility Authority:

Reporting Entity - The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental agencies to be included in the reporting entity. In accordance with these guidelines, there are no component units to be included in these financial statements.

Basis of Accounting - The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Authority's policy is to first apply restricted resources.

Operating Revenue - Operating revenue represents billings to member communities based on the Authority's cash-based operating expenses. Therefore, the Authority has shown depreciation expense as a nonoperating expense for the purpose of the statement of revenue, expenses, and changes in net position.

Capital Assets - Capital assets in the amount of \$78,248,476 were transferred by Wayne County on March 1, 1999. Since the Authority had economic ownership of these assets, they were recorded at net book value. All other capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such assets is charged as a nonoperating expense of the Authority.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	60 years
Interceptors	50 years
Machinery and equipment	5-20 years
Equalization basin	50 years
Sewer meters	10 years

Cash Equivalents - For the purpose of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Reporting Change - During the year, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. In addition, this statement requires debt issuance costs to be expensed in the period incurred, except any portion related to prepaid insurance costs.

The Authority incurred bond issuance costs in association with the State Revolving Funds issued in June 2004, the Sewer System Improvement Bonds issued in December 2010, and the State Revolving Funds issued in 2011. Total costs incurred were \$247,667. In 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, unamortized debt issuance costs of \$202,659 were expensed in the current year.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized the Authority to deposit and invest in all investments allowed by the state statutory authority as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

Included in cash are bank deposits in the amount of \$801,464 and certificates of deposit in the amount of \$207,237, which have been designated by the board for operations and maintenance and capital improvement reserves.

The Authority's cash and investments are subject to custodial credit risk of bank deposits, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,589,523 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note 3 - Capital Assets

Capital assets consist of the following:

	Balance January 1, 2013	Additions	Balance December 31, 2013
Business-type Activities			
Capital assets not being depreciated - Land	\$ 898,091	\$ -	\$ 898,091
Capital assets being depreciated:			
Buildings	58,663,273	487,659	59,150,932
Machinery and equipment	2,729,508	450,210	3,179,718
Interceptors	48,551,721	-	48,551,721
Equalization basin	14,648,296	-	14,648,296
Sewer meters	1,290,687	-	1,290,687
Sludge storage tank (renovated)	2,302,796	27,249	2,330,045
Subtotal	128,186,281	965,118	129,151,399
Accumulated depreciation:			
Buildings	12,319,313	983,192	13,302,505
Machinery and equipment	1,106,805	149,582	1,256,387
Interceptors	12,335,988	996,408	13,332,396
Equalization basin	1,851,830	292,966	2,144,796
Sewer meters	1,288,628	2,059	1,290,687
Sludge storage tank (renovated)	38,380	115,821	154,201
Subtotal	28,940,944	2,540,028	31,480,972
Net capital assets being depreciated	99,245,337	(1,574,910)	97,670,427
Net capital assets	\$ 100,143,428	\$ (1,574,910)	\$ 98,568,518

Construction Commitments - At year end, the Authority had a remaining commitment for the construction of the Trenton Arm Pump Rebuild Project of approximately \$1,700,000.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note 4 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Authority as of December 31, 2013:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance
State Revolving Fund Bonds #5161-01, dated September 1998, maturing through 2020, in the amount of \$26,307,133. Principal payments are due annually on October 1	2.25%	\$ 11,922,133	\$ -	\$ (1,375,000)	\$ 10,547,133
State Revolving Fund Bonds #5212-01, dated June 2004, maturing through 2026, in the amount of \$9,220,000. Principal payments are due annually on April 1	2.125%	6,855,000	-	(425,000)	6,430,000
2010 General Obligation Limited Tax Sewer System Improvement Bonds, maturing through 2030, in the amount of \$1,600,000. Principal payments are due annually on May 1	3.5% - 6.375%	1,545,000	-	(60,000)	1,485,000
State Revolving Fund Bonds #5386-01, dated February 2011, maturing through 2031, in the amount of \$3,120,000. Principal payments are due annually on April 1	2.5%	2,982,583	140,170	(130,000)	2,992,753
Total of long-term debt outstanding		<u>\$ 23,304,716</u>	<u>\$ 140,170</u>	<u>\$ (1,990,000)</u>	<u>\$ 21,454,886</u>

Interest

Total interest expense for the year ended December 31, 2013 was approximately \$566,000.

South Huron Valley Utility Authority

Notes to Financial Statements December 31, 2013

Note 4 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,035,000	\$ 524,316	\$ 2,559,316
2015	2,085,000	477,628	2,562,628
2016	2,130,000	429,204	2,559,204
2017	2,180,000	379,268	2,559,268
2018	2,225,000	328,190	2,553,190
2019-2023	6,902,133	941,920	7,844,053
2024-2028	3,040,000	348,441	3,388,441
2029-2033	857,753	39,498	897,251
Total	<u>\$ 21,454,886</u>	<u>\$ 3,468,465</u>	<u>\$ 24,923,351</u>

Debt Service Agreement

The outstanding debt of the Authority will be funded through direct billings to the community members, rather than through working capital. Therefore, the Authority has classified all outstanding debt service requirements as long term.

Note 5 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance for possible claims related to these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance since inception. The Authority has no employees, and therefore does not have exposure to risks related to employee injuries or medical expenses.

Note 6 - Subsequent Events

In February 2014, the South Huron Valley Utility Authority board entered into a pledge agreement with Brownstown Township. Brownstown Township issued a qualified obligation to finance the cost of a portion of the Trenton Arm Pump Rebuild Project and the waste water treatment plant Sludge Tank Thickener Project. These projects have an estimated cost of \$1,920,000 and \$1,580,000 respectively. The financed portion of \$942,550 of the project will be repaid by member communities of the Authority. The Authority has agreed to ensure the collection of funds from the member communities and to remit these funds to Brownstown Township to repay the qualified obligation.

Other Supplemental Information

South Huron Valley Utility Authority

Other Supplemental Information Statement of Revenue and Expenses - Budget and Actual Year Ended December 31, 2013

	Original Budget 2013	Amended Budget 2013	Audited 2013	Difference Favorable (Unfavorable)
Revenue				
Revenue from communities:				
Plant and related costs	\$ 5,028,212	\$ 5,028,216	\$ 5,028,216	\$ -
Trenton Arm Pump Station	144,215	144,216	144,216	-
Odetta Pump Station	15,000	15,000	15,000	-
Interceptor/Manhole repair billings	200,000	81,993	199,992	117,999
Permit fees	23,000	22,113	22,113	-
IPP surcharge fees	500	5,000	4,768	(232)
Interest	2,500	3,000	3,270	270
Miscellaneous	-	-	-	-
Plan review fees	1,000	-	-	-
Total revenue	5,414,427	5,299,538	5,417,575	118,037
Expenses				
United water	2,449,278	2,449,275	2,457,553	(8,278)
CDM flow metering O & M	232,010	200,000	173,689	26,311
Maintenance and repair	275,000	459,916	412,660	47,256
Utilities	1,040,000	1,000,000	885,312	114,688
Manhole repair	100,000	-	-	-
Interceptor cleaning	100,000	-	-	-
Insurance	115,000	96,678	96,678	-
Misc. contractual	125,000	69,079	59,079	10,000
Financial administration	20,000	20,000	20,000	-
Professional fees	225,000	181,668	164,336	17,332
Land application fee	26,000	21,925	21,925	-
NPDES permit fees	15,000	13,000	13,000	-
Plan review expenses	1,000	-	-	-
Capital improvements	1,075,000	1,000,000	891,826	108,174
Misc. expense	5,000	5,000	4,680	320
Total expenses	5,803,288	5,516,541	5,200,738	315,803
Net (Loss) Income	\$ (388,861)	\$ (217,003)	\$ 216,837	\$ 433,840

South Huron Valley Utility Authority

Note to Other Supplemental Information Year Ended December 31, 2013

Note - Budget and Actual Basis of Accounting

The statement of revenue and expenses - budget and actual is prepared on the accounting method utilized when preparing the budget. This method differs from the full accrual basis of accounting in that it is prepared on a cash flow basis including operational revenue and expenses and excluding capital contributions, and debt payments.

Since the Authority operates as a proprietary fund, a budget is not required by the Uniform Budgeting and Accounting Act. The Authority has presented this information for purposes of additional management analysis only, and the unfavorable budget variances do not represent violations of state law.

March 19, 2014

To the Board of Commissioners
South Huron Valley Utility Authority

We have audited the financial statements of South Huron Valley Utility Authority (the "Authority") as of and for the year ended December 31, 2013 and have issued our report thereon dated March 19, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 13, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of South Huron Valley Utility Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 15, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by South Huron Valley Utility Authority are described in Note I to the financial statements.

As described in Note 1 to the basic financial statements, in 2013, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, debt issuance costs will be expensed, except for costs related to insurance, which will be reported as an asset and will be amortized. Our opinion is not modified with respect to this matter.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

To the Board of Commissioners
South Huron Valley Utility Authority

March 19, 2014

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Stacey Reeves". The signature is written in a cursive, flowing style.

Stacey L. Reeves